HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Regina CMA

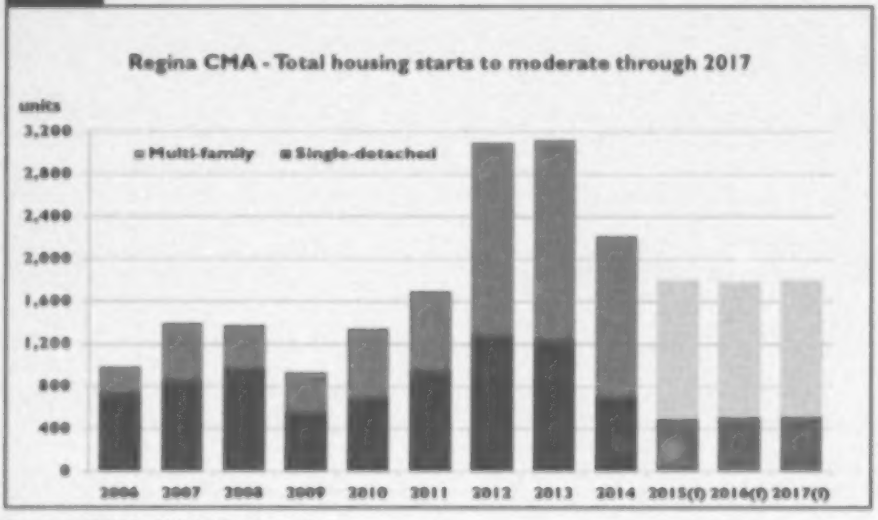
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2015

Highlights[1]

- Weaker economic conditions and elevated inventory will moderate housing starts through 2017
- MLS® sales in Regina will improve slightly in 2016 and 2017
- Persistent buyer's market conditions will keep resale price growth modest over the next two years
- Slower employment growth will negatively impact net migration to Regina through 2017

Figure 1



Source: CMHC, CMHC Forecast (f)

[1] The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of September 28, 2015.

[2] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

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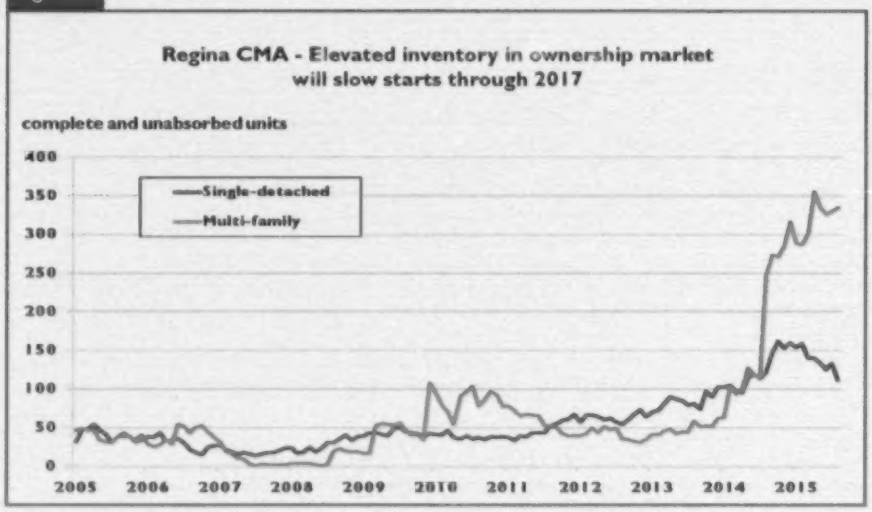
New Home Market: Total housing starts to decline further in 2016 and remain relatively flat in 2017

Total housing starts in the Regina Census Metropolitan Area (CMA) are on pace to decline to 1,800 units in 2015. A persistently low price of oil has not only significantly reduced government revenues but has also negatively impacted capital investments and employment growth in the region. With employment growth slowing, net migration to region has also declined, moderating housing demand in Regina this year. In 2016, total housing starts in the Regina CMA are forecast to edge lower to 1,785 units as economic fundamentals remain subdued and elevated new home inventory prompts local home builders to focus on meeting new demand from their unsold units. A modest improvement in economic conditions in 2017 will result in a slight increase to 1,800 housing starts; however, at this level, total housing starts will still remain below the five-year average of 2,296 units.

With slower construction over the summer months, single-detached starts in Regina are on pace to reach their lowest level this year since 2001, totalling 500 units. Weaker economic conditions and elevated single-detached inventory for most of this year have moderated building intentions in Regina. Single-detached builders have also faced competition from the resale market and increased demand for lower-priced new home options in the multi-family sector. Over the next two years, single-detached starts are not expected to decline further, but will remain low by recent standards. A less than robust outlook for employment growth and lower net migration will keep single-detached starts in Regina near their 2015 levels at 510 units in 2016 and at 520 units in 2017.

Figure 2



Source: CMHC

A total of 321 single-detached homes broke ground during the first eight months of 2015, 31 per cent fewer than in the corresponding period of 2014. With reduced production, the number of single-detached units under construction stood at 598 in August, down 34 per cent from 907 in August 2014. For the first time this year, the inventory of complete and unabsorbed single-detached units was down eight per cent, year-over-year, at 111 units in August. A continued drawdown of inventory would support more improvement in single-detached starts in 2016 and 2017

The slower pace of starts this year will continue to help alleviate pressure on input costs measured by Statistics Canada's New House Price Index (NHPI). The index will decline by 1.5 per cent this year and post modest gains of 0.5 per cent and one per cent in 2016 and 2017, respectively. Correspondingly, the average price for a single-detached new home in Regina is projected to decline to $509,000 in 2015, before rising to $514,000 in 2016 and to $519,500 in 2017.

Following a 19 per cent decline in 2014, multi-family starts, which include semi-detached, row, and apartment units, are forecast to decline further to 1,300 units in 2015. In 2016, multi-family starts will continue to move lower, to 1,275 units, due to elevated inventory, higher apartment vacancy rates and competition from Regina's existing home market. While the past few years have seen an increase in demand for lower-priced multi-family homes by first-time home buyers, investors and empty-nesters, slower employment growth and lower net migration will moderate housing demand in this sector in 2016. A gradual improvement to the economic outlook will gradually lift multi-family starts to 1,280 units in 2017.

From January through August 2015, local builders initiated 824 multi-family units, down 14 per cent from the same period a year earlier. Despite

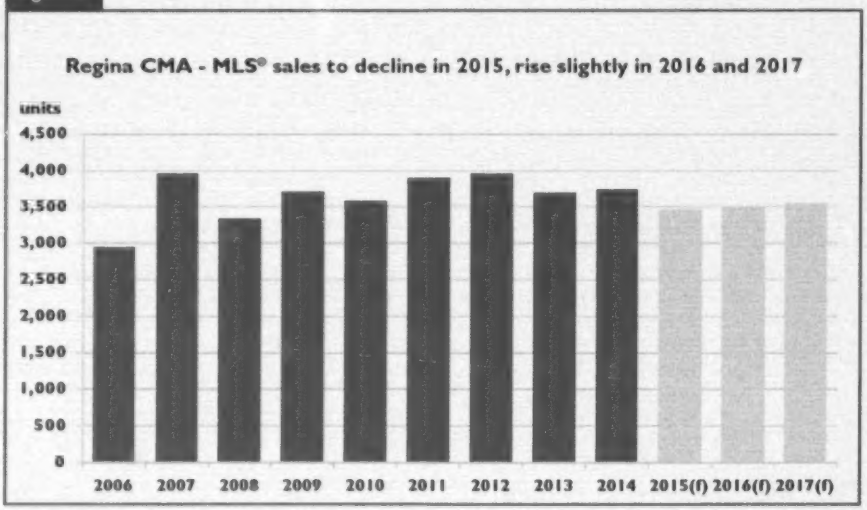
fewer starts, the inventory of multi-family homes in the ownership market stood at 335 units in August, 36 per cent higher than in August 2014. More than 60 per cent of these units in inventory were apartment condos. Moving into 2016, builders will tend to meet new demand from their inventory of complete and unsold units before initiating new projects.

Resale market: MLS® sales to remain stable in 2016, edge up in 2017

Existing homes sales in Regina are on pace to reach 3,470 MLS® transactions in 2015, seven per cent fewer than in the previous year. Persistent downside risks posed by lower oil prices have slowed employment growth and lowered net migration to the region. The resulting economic uncertainty has kept some potential buyers on the sidelines and moderated resale demand this year. In 2016, Regina's MLS® sales are forecast to remain relatively stable at 3,500 units, before a gradual improvement in economic conditions in 2017 helps lifts sales slightly to 3,550 units.

MLS® sales to the end of August 2015 numbered 2,411 units, down six per cent from 2,574 units in the corresponding period of 2014. On the supply side, active listings averaged nearly seven per cent higher over the same period at 2,150 units compared to 2,011 one year prior. On a monthly basis, resale supply has started to ease but remains elevated relative to historical levels. Meanwhile, market balance has continued to favour the buyer this year, with the seasonally adjusted sales-to-new listings ratio remaining in buyer's market territory through August 2015.

Figure 3



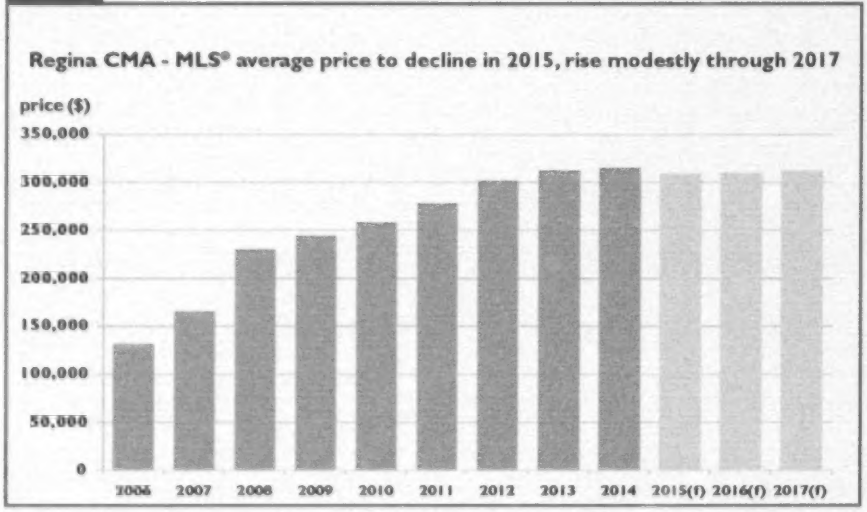
Source: CREA, CMHC Forecast (f)

Under these conditions, the average MLS® price in Regina is forecast to decline by 1.9 per cent to $309,000 in 2015 and remain near that level at $309,500 in 2016. A modest gain of one per cent is projected for 2017, which will bring the average resale price to $312,595.

Rental market: Slower job growth, lower net migration, and higher rental supply to lift apartment vacancies

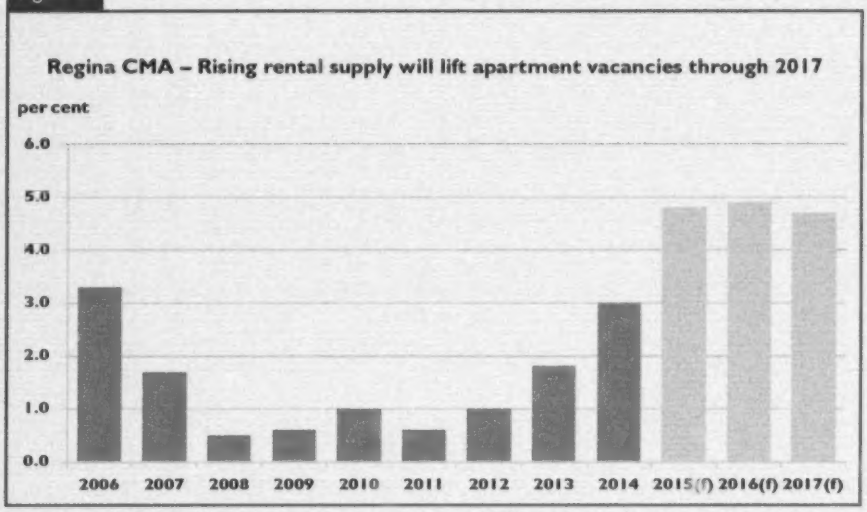
The average apartment vacancy rate in the Regina CMA is forecast to rise to 4.8 per cent in October 2015 from three per cent in October 2014,

Figure 4



Source: CREA, CMHC Forecast (f)

Figure 5



Source: CMHC, Fall Rental Market Survey, CMHC Forecast (f)

before edging up to 4.9 per cent in October 2016. A modest decline to 4.7 per cent is projected for 2017 as improving economic conditions increase rental demand and lower the vacancy rate. This year, slower employment growth and lower net migration have moderated rental demand in Regina, while rental supply has been on the rise for the past three years. From January through August 2015, a total of 531 apartments intended for the rental market were started in Regina. This is in addition to the 803 units that were initiated in 2014. Moving forward, as more of these units are completed, they will add to rental supply and put upward pressure on apartment vacancies. From January through August 2015, a total of 417 apartment units intended for rental tenure were completed in Regina.

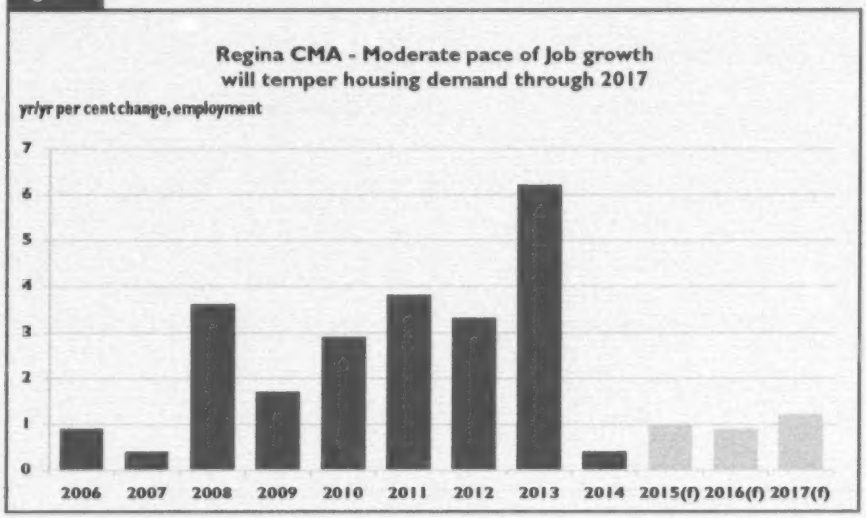
The average two-bedroom apartment rent in Regina is forecast to rise modestly to $1,095 in October 2015 compared to $1,079 in October 2014. Relatively high vacancies will limit the rate at which landlords can increase monthly rents moving forward. In October 2016, the average two-bedroom apartment rent is forecast to reach $1,110, before rising slightly to $1,120 in the fall of 2017. Part of the projected increase in average rent reflects the addition of newly constructed units, which typically command higher rents than existing units with similar specifications.

Economic trends: Moderate pace of job growth expected through 2017

The decline in oil prices has had a negative impact on government revenues, capital expenditures and employment growth in Regina this year. Notwithstanding, a slight improvement over 2014 is forecast moving forward, with average employment projected to rise by one per cent in 2015, 0.9 per cent in 2016 and by 1.2 per cent in 2017. Supporting job growth will be continued spending in commercial, infrastructure and institutional projects over the next several years. Given this modest pace of expansion, Regina's unemployment rate is forecast to rise steadily to 4.6 per cent this year and to 4.7 per cent by 2016.

A total of 1,600 positions were added to the number of people employed in Regina from January through August 2015, compared to 500 jobs in the same period a year earlier.

Figure 6



Source: Statistics Canada, CMHC Forecast (f)

This represents the addition of 1,700 full-time positions and a loss of 100 part time jobs. With more people looking for work, Regina's average unemployment rate increased to 4.5 per cent in August compared 3.8 in August 2014. Meanwhile, average weekly earnings in Regina rose to $1,029 through August 2015 from $981 in the corresponding period of 2014.

Given the outlook for employment, net migration to Regina is forecast to decline from 5,110 in 2014 to 4,000 migrants in 2015, before edging lower to 3,700 people in 2016. A slight increase to 3,800 migrants is projected for 2017 as labour market conditions gradually improve. The decrease in migrants to Regina is largely due to weaker labour market conditions relative to other non-oil producing regions within Canada. Despite the reduction, net migration will continue to support housing demand and household formation in Regina.

Mortgage rates are expected to begin to rise moderately from current levels late in 2016

Mortgage rates are expected to continue trending close to current levels, supporting housing demand. However, consistent with the view of Canadian economic forecasters, CMHC expects interest rates to begin to rise moderately from current levels late in 2016, contributing to a modest slowdown in housing markets.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.60 to 3.30 per cent range, while the five-year rate is forecast to be within the 4.10 to 5.20 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.00 to 3.80 per cent range, while the five-year rate is forecast to be within the 4.70 to 6.00 per cent range. For 2017, the one-year mortgage rate is expected to be in the 3.90 to 4.80 per cent range, while the five-year rate is forecast to be within the 5.10 to 6.50 per cent range.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will begin to rise gradually late in 2016, contributing to moderation in housing demand.
Employment	A slower pace of employment growth in 2016 will moderate demand for newly constructed homes.
Income	Growth in average weekly earnings continues to outpace the rate of inflation and should remain supportive of housing demand this year.
Population	Weaker labour market conditions in 2016 will moderate net migration. Despite the reduction, net migration will remain a key support for household formation and housing demand in Regina over the forecast period.
Resale Market	Supply and demand balance will continue to moderate price growth throughout the forecast period. Supply will provide competition for the new home market and temper starts.
New Home Inventory	Despite fewer starts, inventory of complete and unabsorbed units remains elevated, which should limit the pace of housing starts through 2017.

Forecast Risks

This outlook is subject to some risks, including:

- A prolonged period of lower oil prices or a further decline in prices from current market levels could result in weaker economic conditions than is forecast. In turn, this would slow employment growth more than is currently projected, leading to a more pronounced reduction in housing demand.
- The outlook assumes new home inventory will be drawn down at a steady pace. Further escalation in new home inventory, combined with a higher than expected increase in resale supply could precipitate a stronger reduction in housing starts.
- A sharper reduction in net migration to Regina than is forecast could lead to a more pronounced reduction in housing demand than the outlook assumes.

Forecast Summary Regina CMA Fall 2015									
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg	2017(F)	% chg
New Home Market									
Starts:									
Single-Detached	1,289	1,246	707	500	-29.3	510	2.0	520	2.0
Multiples	1,804	1,876	1,516	1,300	-14.2	1,275	-1.9	1,280	0.4
Starts - Total	3,093	3,122	2,223	1,800	-19.0	1,785	-0.8	1,800	0.8
Average Price ($):									
Single-Detached	462,023	491,292	514,165	509,000	-1.0	514,000	1.0	519,500	1.1
Median Price ($):									
Single-Detached	436,494	452,500	469,900	465,000	-1.0	471,000	1.3	476,000	1.1
New Housing Price Index (% chg.)	4.4	2.9	1.0	-1.5	-	0.5	-	1.0	-
Resale Market									
MLS® Sales	3,952	3,692	3,726	3,470	-6.9	3,500	0.9	3,550	1.4
MLS® New Listings	6,358	7,142	8,271	7,700	-6.9	7,800	1.3	7,900	1.3
MLS® Active Listings	1,244	1,559	1,992	2,100	5.4	2,200	4.8	2,300	4.5
MLS® Average Price ($)	301,145	312,355	314,968	309,000	-1.9	309,500	0.2	312,595	1.0
Rental Market									
October Vacancy Rate (%)	1.0	1.8	3.0	4.8	1.8	4.9	0.1	4.7	-0.2
Two-bedroom Average Rent (October) ($)	979	1,018	1,079	1,095	1.5	1,110	1.4	1,120	0.9
Economic Overview									
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.60 to 3.30	-	3.00 to 3.80	-	3.90 to 4.80	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.10 to 5.20	-	4.70 to 6.00	-	5.10 to 6.50	-
Annual Employment Level	128,200	136,100	136,700	138,067	1.0	139,309	0.9	140,981	1.2
Employment Growth (%)	3.3	6.2	0.4	1.0	-	0.9	-	1.2	-
Unemployment rate (%)	4.2	3.7	3.7	4.6	-	4.7	-	4.6	-
Net Migration [1]	6,067	5,013	5,110	4,000	-21.7	3,700	-7.5	3,800	2.7

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of September 28, 2015

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which, have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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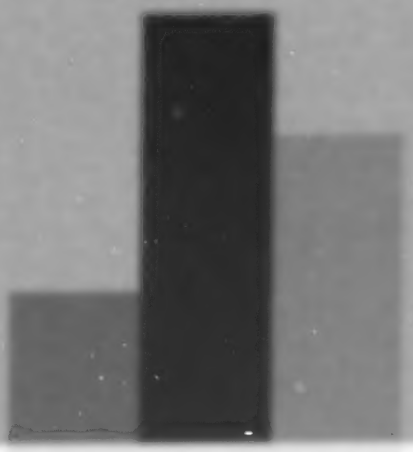

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